

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2004

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004
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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

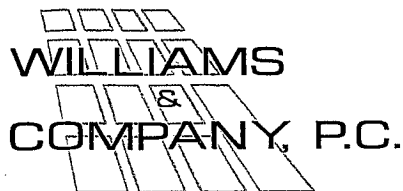
June 30, 2004

Board of Education

Name		Term Expires
Jim Black	President	September, 2004
Kirk Banks	Vice President	September, 2005
Randy Becker	Board Member	March, 2004
Phil Parks	Board Member	September, 2004
Gordy Johnson	Board Member	September, 2004
Jeff Buryanek	Board Member	September, 2005
Jeff Klemme	Board Member	September, 2006
Roger Oetken	Board Member	September, 2005

Officials

Ron Flynn	Superintendent	June 30, 2004
Jodi Thompson	Board Secretary/ Business Manager	June 30, 2004
James Hanks	Attorney	Indefinite



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Akron-Westfield Community School District
Akron, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Akron-Westfield Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Akron-Westfield Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Akron-Westfield Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, during the year ended June 30, 2004, Akron-Westfield Community School District adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2004 on our consideration of the Akron-Westfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Akron-Westfield Community School District's basic financial statements. The supplementary information, included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
August 18, 2004

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Akron-Westfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$4,802,457 in fiscal 2003 to \$4,980,616 in fiscal 2004, while General fund expenditures increased from \$4,495,587 in fiscal 2003 to \$4,510,393 in fiscal 2004. The District's General fund balance increased from a deficit \$325,025 in fiscal 2003 to \$45,868 in fiscal 2004, a 114% increase.

The overall increase in the General fund balance is attributable to reduction of staff and programs along with other measures taken to control expenditures. This has been an on-going process at the Akron-Westfield Community School District since there has been a deficit General fund balance since fiscal year 1998.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Akron-Westfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Akron-Westfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Akron Westfield's Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds, Capital Project Funds, and Debt Service Fund.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

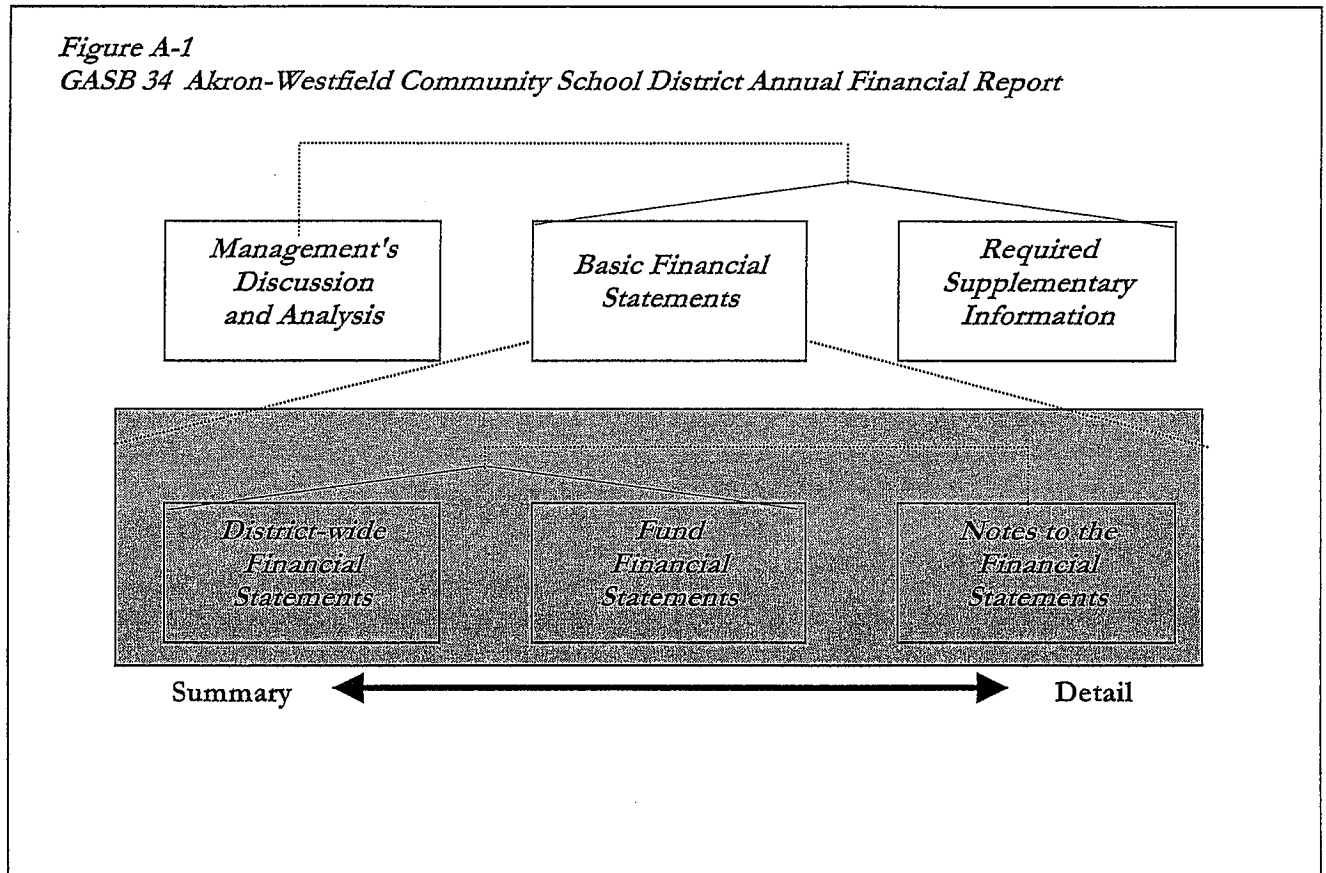


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Athletic Boosters fund and the Employee Flex Account fund.

The Athletic Boosters fund is used to account for revenues earned and expenditures incurred by the Akron-Westfield Community School District Athletic Boosters.

The Employee Flex Account fund is used to account for employee contributions to flexible spending accounts and for disbursements made to those employees for the eligible expenses they incur.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004.

Figure A-3 Condensed Statement of Net Assets			
	Governmental Activities 2004	Business type Activities 2004	Total District 2004
Current and other assets	\$ 4,178,139	\$ 25,608	\$ 4,203,747
Capital assets	3,668,165	14,153	3,682,318
Total assets	7,846,304	39,761	7,886,065
Current liabilities	2,453,335	559	2,453,894
Long-term liabilities	3,481,182	-	3,481,182
Total liabilities	5,934,517	559	5,935,076
Net assets			
Invested in capital assets, Net of related debt	1,550,515	14,153	1,564,668
Restricted	256,576	-	256,576
Unrestricted	104,696	25,049	129,745
Total net assets	\$ 1,911,787	\$ 39,202	\$ 1,950,989

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4 Changes in Net Assets			
	Governmental Activities 2004	Business type Activities 2004	Total District 2004
Revenues:			
Program Revenues:			
Charges for service	\$ 925,038	\$ 140,121	\$ 1,065,159
Operating grants, contributions, and restricted interest	630,553	111,032	741,585
General Revenues:			
Property tax	2,017,967	-	2,017,967
Unrestricted state grants	1,862,119	-	1,862,119
Unrestricted investment earnings	12,702	-	12,702
Use of Money and Property	41,560	-	41,560
Other	72,521	-	72,521
Total Revenues	5,562,460	251,153	5,813,613
Program expenses			
Governmental activities:			
Instruction	3,220,666	-	3,220,666
Support services	1,548,850	-	1,548,850
Non-instructional programs	201,652	240,841	442,493
Other expenses	292,727	-	292,727
Total expenses	5,263,895	240,841	5,504,736
Change in net assets	\$ 298,565	\$ 10,312	\$ 308,877

Property tax and state aid account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Figure A-5

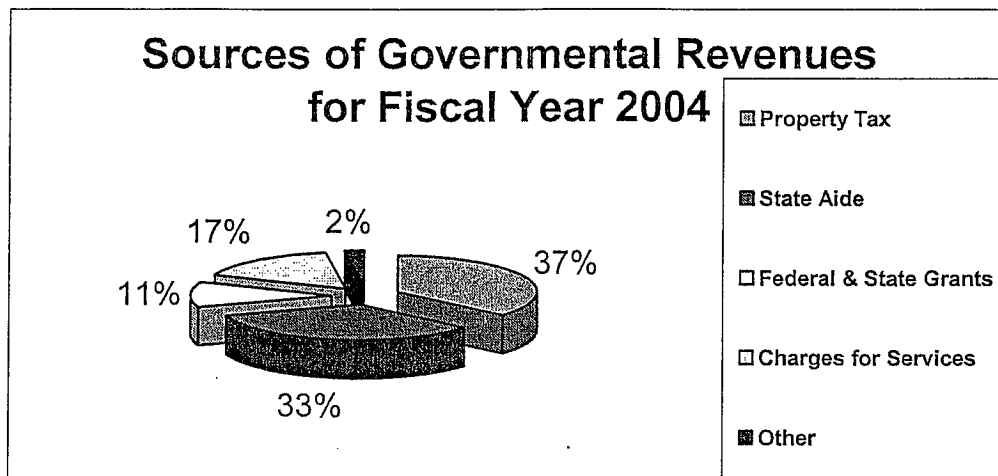
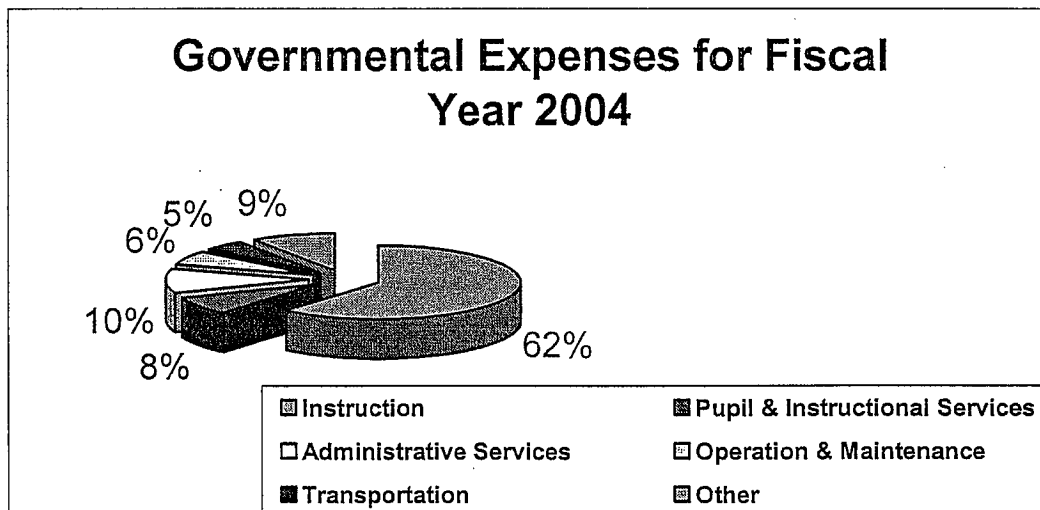


Figure A-6



Governmental Activities

Revenues for governmental activities were \$5,562,460 and expenses were \$5,263,895. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-7		
Total and Net Cost of Governmental Activities		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,220,666	\$ 1,986,920
Support Services	1,548,850	1,409,479
Non-instructional programs	201,652	201,652
Other expenses	292,727	110,253
Total	<u>\$ 5,263,895</u>	<u>\$ 3,708,304</u>

- The cost financed by users of the District's programs was \$925,038.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$630,553.
- The net cost of governmental activities was financed with \$2,017,967 in property taxes and \$1,862,119 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$251,153 and expenses were \$240,841. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Akron-Westfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$451,385, above last year's ending fund balances of \$141,410.

Governmental Fund Highlights

- The General Fund balance increased from a deficit of \$325,025 in fiscal 2003 to a positive balance of \$45,868 in fiscal 2004. This is primarily due to program and staff reductions and other cost savings measures.
- The Management Levy fund balance decreased from \$98,696 in fiscal 2003 to \$42,983 in fiscal 2004.
- The Physical Plant and Equipment Levy (PEL) fund balance decreased from \$188,449 in fiscal 2003 to \$156,800 in fiscal 2004.
- The Capital Projects fund balance increased from a deficit of \$67,857 in fiscal 2003 to a deficit of \$52,557 in fiscal 2004. This deficit will be funded by future operating revenues.

Proprietary Fund Highlights

School Nutrition fund net assets increased from \$28,890 at June 30, 2003 to \$39,202 at June 30, 2004, this is due in part to purchases and to reclassification of assets.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. Detail can be found in the supplementary information section of this report as required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2004, the District had invested \$7,575,807 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8). Total depreciation expense for the year was \$203,454.

Figure A-8
Capital Assets, net of Depreciation

	Governmental Activities 2004	Business type Activities 2004	Total District 2004
Land	\$ 11,388		\$ 11,388
Improvements Other than Buildings	222,860		222,860
Buildings	5,845,297		5,845,297
Furniture and equipment	1,411,483	\$ 84,779	1,496,262
Total	\$ 7,491,028	\$ 84,779	7,575,807

Long-Term Debt

At year-end, the District had \$1,680,000 in general obligation bonds outstanding, \$325,650 in general fund loans, \$112,000 in PPEL fund loans, and \$105,532 in early retirement obligations.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The weak national economy that has adversely impacted the State of Iowa's budget has translated into reduced levels of state funding. The State passed on a 2.5% across-the-board cut in state aid to school districts during 2004. It remains to be seen whether or not the State will live up to its total obligation for 2005.
- Under Iowa's school funding formula, the District is highly dependent on student enrollment. The District trend of declining enrollment will continue into the 2004-2005 with the loss of 6.7 students. This is a decline of 49.6 students since fiscal year 2000. The District also contracts in students from the Greater Hoyt District in South Dakota this enrollment has remained steady, but projections show a decline in future years. The gradual phasing out of budget guarantee will also have an impact on our funding.
- The revaluation of Ag land during this past fiscal year reduced the total assessed valuation of the district by \$16,000,000. This had a negative effect on the total tax levy of the District.
- The District will begin receiving revenue from a one (1) percent local option sales tax during fiscal year 2005. This tax is voted in for ten (10) years and will provide revenue for capital repairs and improvement.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Thompson, District Secretary/Treasurer, Akron-Westfield Community School District, 850 Kerr Drive, Akron, Iowa 51001.

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 799,283	\$ 17,880	\$ 817,163
Receivables:			
Property Tax	53,893		53,893
Succeeding Year Property Tax	1,865,622		1,865,622
Accrued Interest	3,150		3,150
Accounts	36,081		36,081
Advance to Other Funds	63,961		63,961
Due from Other Governments	76,956		76,956
Restricted Assets:			
ISCAP Investments	1,265,494		1,265,494
Inventories		7,728	7,728
Bond Discounts	13,699		13,699
Land	11,388		11,388
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	3,656,777	14,153	3,670,930
Total Assets	7,846,304	39,761	7,886,065
LIABILITIES			
Accounts Payable	107,408	559	107,967
Advance from Other Funds	63,961		63,961
Due to Other Governments	1,227		1,227
Salaries and Benefits Payable	381,634		381,634
Accrued Interest Payable	8,784		8,784
Deferred Revenue - Succeeding Year Taxes	1,865,622		1,865,622
ISCAP Unamortized Premium	20,663		20,663
ISCAP Interest Payable	4,036		4,036
Noncurrent Liabilities:			
Debt Due Within One Year:			
ISCAP Warrants Payable	1,258,000		1,258,000
General Obligation Capital Loan Notes	28,000		28,000
Notes Payable	79,791		79,791
Early Retirement Payable	2,364		2,364
Bonds Payable	110,000		110,000
Due in More Than One Year:			
General Obligation Capital Loan Notes	84,000		84,000
Notes Payable	245,859		245,859
Early Retirement Payable	103,168		103,168
Bonds Payable	1,570,000		1,570,000
Total Liabilities	5,934,517	559	5,935,076
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,550,515	14,153	1,564,668
Restricted for:			
Educational Excellence - Phase III	7,069		7,069
Debt Service	65,795		65,795
Management Levy	42,983		42,983
Physical Plant and Equipment Levy	156,800		156,800
Other Special Revenue Purposes	183,712		183,712
Unrestricted	(95,087)	25,049	(70,038)
Total Net Assets	\$ 1,911,787	\$ 39,202	\$ 1,950,989

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,075,363	\$ 543,752	\$ 285,733	
Special Instruction	575,742	133,970	20,949	
Other Instruction	569,561	239,316	10,026	
Support Services:				
Student Services	299,422	8,000	128,125	
Instructional Staff Services	117,150			
Administration Services	551,045			
Operation and Maintenance	325,635			
Transportation Services	250,985		3,246	
Central Support Services	4,613			
Non-instructional Programs	201,652			
Other Expenditures:				
Long-term Debt Interest	110,253			
AEA Flowthrough	182,474		182,474	
Total governmental activities	<u>5,263,895</u>	<u>925,038</u>	<u>630,553</u>	<u>-</u>
Business Type Activities				
Non-instructional Programs				
Food Service Operations	<u>240,165</u>	<u>140,097</u>	<u>111,032</u>	
Total	<u>\$ 5,504,060</u>	<u>\$ 1,065,135</u>	<u>\$ 741,585</u>	<u>\$ -</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Use of money and property				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,245,878)		\$ (1,245,878)
(420,823)		(420,823)
(320,219)		(320,219)
(163,297)		(163,297)
(117,150)		(117,150)
(551,045)		(551,045)
(325,635)		(325,635)
(247,739)		(247,739)
(4,613)		(4,613)
(201,652)		(201,652)
(110,253)		(110,253)
(3,708,304)		(3,708,304)
	\$ 10,964	10,964
(3,708,304)	10,964	(3,697,340)
1,819,504		1,819,504
198,463		198,463
1,862,119		1,862,119
12,702	24	12,726
41,560		41,560
72,521	(676)	71,845
4,006,869	(652)	4,006,217
298,565	10,312	308,877
1,613,222	28,890	1,642,112
\$ 1,911,787	\$ 39,202	\$ 1,950,989

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
Governmental Funds
June 30, 2004

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Pooled Investments	\$ 365,998	\$ 115,580	\$ 317,705	\$ 799,283
Receivables:				
Property Tax	45,228	5,714	2,951	53,893
Succeeding Year Property Tax	1,563,530	198,510	103,582	1,865,622
Accrued Interest	2,662		488	3,150
Accounts	36,081			36,081
Due from Other Funds	50,964		10,000	60,964
Advance to Other Funds	1,593		62,368	63,961
Due from Other Governments	60,462	16,494		76,956
Restricted Assets:				
Investments	1,265,494			1,265,494
Total Assets	3,392,012	336,298	497,094	4,225,404
Liabilities and Equity				
Liabilities:				
Accounts Payable and Accrued Liabilities	100,199		7,209	107,408
Due to Other Funds	10,000		50,964	60,964
Advance from Other Funds		62,368	1,593	63,961
Due to Other Governments	1,227			1,227
Salaries and Benefits Payable	381,634			381,634
Early Retirement Payable			2,364	2,364
Unearned Revenue	6,855	841	444	8,140
Deferred Revenue - Succeeding Year Taxes	1,563,530	198,510	103,582	1,865,622
ISCAP Unamortized Premium	20,663			20,663
ISCAP Interest Payable	4,036			4,036
ISCAP Warrants Payable	1,258,000			1,258,000
Total Liabilities	3,346,144	261,719	166,156	3,774,019
Fund Balances:				
Reserved for:				
Educational Excellence- Phase III	7,069			7,069
Debt Service		74,579		74,579
Unreserved for:				
General Fund	38,799			38,799
Special Revenue Fund			383,495	383,495
Capital Project Fund			(52,557)	(52,557)
Total Fund Balances	45,868	74,579	330,938	451,385
Total Liabilities and Equity	\$ 3,392,012	\$ 336,298	\$ 497,094	\$ 4,225,404

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2004

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 451,385
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,668,165
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(8,784)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	13,699
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	8,140
Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,220,818)</u>
Total Net Assets - Governmental Activities (page 13)	<u>\$ 1,911,787</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2004

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenue:				
Local Sources:				
Local Tax	\$ 1,718,133	\$ 198,463	\$ 102,126	\$ 2,018,722
Tuition	527,911			527,911
Other	144,707	16,724	260,835	422,266
State Sources	2,238,201	188	96	2,238,485
Federal Sources	351,664			351,664
Total Revenue	4,980,616	215,375	363,057	5,559,048
Expenditures:				
Current:				
Instruction:				
Regular Instruction	1,985,793		10,561	1,996,354
Special Instruction	575,742			575,742
Other Instruction	312,686		244,382	557,068
Support Services:				
Student Services	275,818			275,818
Instructional Staff Services	117,150			117,150
Administration Services	509,963		41,082	551,045
Operation and Maintenance	281,663		32,829	314,492
Transportation Services	212,825		11,767	224,592
Central Support Services	4,613			4,613
Non-instructional Programs	51,666			51,666
Other Expenditures:				
Facilities Acquisition and Construction Services			218,634	218,634
Long-term Debt:				
Principal		210,272		210,272
Interest and Fiscal Charges		109,153		109,153
AEA Flowthrough	182,474			182,474
Total Expenditures	4,510,393	319,425	559,255	5,389,073
Excess (Deficiency) of Revenues Over Expenditures	470,223	(104,050)	(196,198)	169,975
Other Financing Sources (Uses):				
Transfers Out	(89,330)		(30,930)	(120,260)
Proceeds from Issuance of Long-Term Debt			140,000	140,000
Total Other Financing Sources (Uses)	(89,330)	120,260	109,070	140,000
Net Change in Fund Balances	380,893	16,210	(87,128)	309,975
Fund Balances - Beginning of Year	(325,025)	58,369	408,066	141,410
Prior Period Adjustment	(10,000)		10,000	-
Fund Balances - Beginning of Year, Restated	(335,025)	58,369	418,066	141,410
Fund Balances - End of Year	\$ 45,868	\$ 74,579	\$ 330,938	\$ 451,385

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$	309,975
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	224,635		
Depreciation expense	<u>(198,608)</u>		26,027

Accrued interest expense that does not require current financial resources		111
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		(97,528)	
Other		(4,177)	

Governmental funds report only the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the Statement of Activities.		(4,169)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.		(755)
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.		(1,191)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follows:

Repaid	210,272		
Issued	<u>(140,000)</u>		<u>70,272</u>

Change in net assets of governmental activities (page 15)	\$	<u>298,565</u>
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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2004

	Business Type Activities School Nutrition Fund
ASSETS	
Current Assets:	
Cash and Pooled Investments	\$ 17,880
Inventories	7,728
Total Current Assets	<u>25,608</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	14,153
Total Assets	<u>39,761</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	559
Total Liabilities	<u>559</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	14,153
Unrestricted	25,049
Total Net Assets	<u>\$ 39,202</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

	Business Type Activities School Nutrition Fund
Operating Revenues:	
Charges for services	\$ 139,962
Miscellaneous	135
Total Operating Revenue	<u>140,097</u>
Operating Expenditures:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	85,262
Benefits	37,603
Purchased Services	2,338
Supplies	110,116
Depreciation	4,846
Total Operating Expenses	<u>240,165</u>
Operating (Loss)	<u>(100,068)</u>
Non-Operating Revenues (Expenditures)	
Interest Income	24
State Lunch Reimbursements	3,499
National School Lunch Program	81,282
Federal Food Commodities Received	26,251
Loss on Disposal of Fixed Assets	(676)
Total Non-Operating Revenues	<u>110,380</u>
Change in net assets	10,312
Net Assets - Beginning	<u>28,890</u>
Net Assets - Ending	<u><u>\$ 39,202</u></u>

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2004

	Business Type Activities School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 140,500
Cash received from miscellaneous operating activities	135
Cash paid to employees for services	(122,432)
Cash paid to suppliers for goods or services	(86,897)
Total cash (used) by operating activities	<u>(68,694)</u>
Cash flows from noncapital financing activities:	
State grants received	3,499
Federal grants received	81,282
Total cash provided by noncapital financing activities	<u>84,781</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(7,093)</u>
Cash flows from investing activities:	
Interest on investments	<u>24</u>
Net increase in cash and cash equivalents	9,018
Cash and cash equivalents - beginning of year	<u>8,862</u>
Cash and cash equivalents - end of year	<u><u>17,880</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(100,068)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation expense	4,846
Commodities used	25,654
(Increase) decrease in assets and increase (decrease) in liabilities:	
Inventories	315
Accounts Payable	<u>559</u>
Net cash provided (used) in operating activities	<u><u>\$ (68,694)</u></u>
Non-cash investing, capital and financing activities:	
Federal food commodities received	<u><u>\$ 26,251</u></u>

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
June 30, 2004

	Athletic Boosters	Employee Flex Account	Total
ASSETS			
Cash and Pooled Investments			\$ -
Total Assets	-	-	-
LIABILITIES			
Due to Others			-
Total Liabilities	\$ -	\$ -	\$ -

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Akron-Westfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Akron and Westfield, Iowa, the predominate agricultural territory in Plymouth County, and the Greater Hoyt Independent School District in Union County, South Dakota through the Interstate School District Compact. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Akron-Westfield Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Akron-Westfield Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statement include the following:

- For the first time:
 - a. A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and result of operations.
 - b. Financial statements prepared using full accrual accounting for all the District's activities.
 - c. A change in the fund financial statements to focus on the major funds of the District.

Also approved by GASB was Statement No. 38, *Certain Financial Statement Note Disclosures*.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The District has implemented the statements for the year ended June 30, 2004.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIDUCIARY FUND TYPES

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Athletic Boosters fund is used to account for revenues earned and expenditures incurred by the Akron-Westfield Community School District Athletic Boosters.

The Employee Flex Account fund is used to account for employee contributions to flexible spending accounts and for disbursements made to those employees for the eligible expenses they incur.

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

Debt Service – See the description on the previous page.

The District reports the following major enterprise fund:

School Nutrition – Accounts for the food service operations of the District.

D. Basis of Accounting/Measurement Focus

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

E. Budgetary Accounting

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

F. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District's capitalization thresholds are as follows: Land, \$2,000; Building and Improvements, \$10,000; Furniture and Equipment purchased in a Governmental Fund, \$2,000; and Equipment purchased in the School Nutrition Fund, \$500.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

The District's legal compliance for budget to actual comparison is specified in the Code of Iowa and is for expenditures by functional area. The District budgets on a cash basis. The legal level of control is at the aggregated function level, not at the fund or fund type level. Budgets are prepared for all funds except the internal service fund.

During the fiscal year 2004, there were no budget amendments.

The following schedule demonstrates the District's legal compliance to the budget.

Function	Original Budget	Amended Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Instruction	\$ 3,785,202	\$ 3,485,202	\$ 3,136,173	\$ 349,029
Support Services	1,854,000	1,854,000	1,523,818	330,182
Non-instructional Programs	400,000	400,000	258,857	141,143
Other Expenditures	372,901	672,901	715,517	(42,616)
	<u>\$ 6,412,103</u>	<u>\$ 6,412,103</u>	<u>\$ 5,634,365</u>	<u>\$ 777,738</u>

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles, which differ in certain respects from those practices used in the preparation of the 2003-2004 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis, which is consistent with the District's budgeted expenditures/expenses. The adjustments required to convert the expenses/expenditures to cash basis at the end of the year are as follows:

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 2 – LEGAL COMPLIANCE – BUDGETS (Continued)

Governmental Fund Types			
<u>General</u>			
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 4,946,952	\$ 33,664	\$ 4,980,616
Expenditures	4,544,840	(33,447)	4,510,393
Net	402,112	68,111	470,223
Other Financing Sources (Uses)	(89,330)	-	(89,330)
Beginning Fund Balance	104,180	(429,205)	(325,025)
Prior Period Adjustment	(10,000)	-	(10,000)
Beginning Fund Balance, Restated	94,180	(429,205)	(335,025)
Ending Fund Balance	<u>\$ 406,962</u>	<u>\$ (361,094)</u>	<u>\$ 45,868</u>

Governmental Fund Types			
<u>Debt Service</u>			
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 224,820	\$ (9,445)	\$ 215,375
Expenditures	319,425	-	319,425
Net	(94,605)	(9,445)	(104,050)
Other Financing Sources (Uses)	120,260	-	120,260
Beginning Fund Balance	89,925	(31,556)	58,369
Ending Fund Balance	<u>\$ 115,580</u>	<u>\$ (41,001)</u>	<u>\$ 74,579</u>

Governmental Fund Types			
<u>Non Major Funds</u>			
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 366,246	\$ (3,189)	\$ 363,057
Expenditures	553,678	5,577	559,255
Net	(187,432)	(8,766)	(196,198)
Other Financing Sources (Uses)	109,070	-	109,070
Beginning Fund Balance	345,103	62,963	408,066
Prior Period Adjustment	10,000	-	10,000
Beginning Fund Balance, Restated	355,103	62,963	418,066
Ending Fund Balance	<u>\$ 276,741</u>	<u>\$ 54,197</u>	<u>\$ 330,938</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 2 – LEGAL COMPLIANCE – BUDGETS (Continued)

Governmental Fund Types			
	Totals		Modified
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 5,538,018	\$ 21,030	\$ 5,559,048
Expenditures	5,417,943	(28,870)	5,389,073
Net	120,075	49,900	169,975
Other Financing Sources (Uses)	140,000	-	140,000
Beginning Fund Balance	539,208	(397,798)	141,410
Ending Fund Balance	\$ 799,283	\$ (347,898)	\$ 451,385

Proprietary Fund Type			
	Enterprise		Accrual
	Cash Basis	Accrual Adjustments	Basis
Revenues	\$ 225,440	\$ 25,713	\$ 251,153
Expenses	216,422	24,419	240,841
Net	9,018	1,294	10,312
Other Financing Sources (Uses)	-	-	-
Beginning Net Assets	8,862	20,028	28,890
Ending Net Assets	\$ 17,880	\$ 21,322	\$ 39,202

NOTE 3 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2004, the carrying amount of the School District's deposits were as follows:

	Carrying Balance	Bank Balance
All Fund Types	\$ 817,163	\$ 934,239

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 4 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer From	Transfer To	Amount
General	Debt Service	\$ 89,330
Special Revenue:		
Physical Plant & Equipment Levy	Debt Service	30,930
Total		<u>\$ 120,260</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	\$ 489,310	-	\$ 486,000	\$ 4,036
2004-05A	6/30/04	6/30/05	776,184	-	772,000	-
			<u>\$ 1,265,494</u>	<u>-</u>	<u>\$ 1,258,000</u>	<u>\$ 4,036</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ -	\$ 580,000	\$ 580,000	\$ -

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) – (Continued)

The Warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 11,388	-	-	\$ 11,388
Total capital assets not being depreciated	11,388	-	-	11,388
Capital assets being depreciated:				
Buildings	5,648,978	196,319		5,845,297
Improvements other than buildings	235,061		12,201	222,860
Furniture and equipment	1,501,456	28,316	118,289	1,411,483
Total capital assets being depreciated	7,385,495	224,635	130,490	7,479,640
Less: Accumulated Depreciation for:				
Buildings	2,185,975	149,987		2,335,962
Improvements other than buildings	132,665	11,143	8,032	135,776
Furniture and equipment	1,431,936	37,478	118,289	1,351,125
Total Accumulated Depreciation	3,750,576	198,608	126,321	3,822,863
Total capital assets being depreciated, net	3,634,919	26,027	4,169	3,656,777
Governmental activities capital assets, net	\$ 3,646,307	\$ 26,027	\$ 4,169	\$ 3,668,165
Business-type Activities:				
Furniture and equipment	\$ 87,251	\$ 7,093	\$ 9,565	\$ 84,779
Less: Accumulated Depreciation	74,669	4,846	8,889	70,626
Business-type activities capital assets, net	\$ 12,582	\$ 2,247	\$ 676	\$ 14,153

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 6 – CAPITAL ASSETS – (CONTINUED)

Depreciation expenses was charged to the functions of the as follows:

Governmental Activities:	
Regular Instruction	\$ 11,086
Non-Instructional Programs	149,986
Operation and Maintenance	11,143
Transportation Services	26,393
	<hr/>
Total depreciation expenses – governmental activities	\$ 198,608
	<hr/>

Business-type activities:	
Food Service Operations	\$ 4,846
	<hr/>

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business- Type Activities
Land	\$ 11,388	
Capital Assets (net of accumulated depreciation)	3,656,777	\$ 14,153
Less: Bonds Payable	1,680,000	
Notes Payable	325,650	
General Obligation Capital Loan Notes	112,000	
	<hr/>	
Investment in Capital Assets, Net of Related Debt	\$ 1,550,515	\$ 14,153
	<hr/>	

NOTE 7 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligations Bonds	\$ 1,785,000		\$ 105,000	\$ 1,680,000	\$ 110,000
General Obligations Capital Loan Notes		\$ 140,000	28,000	112,000	28,000
Notes Payable	402,922		77,272	325,650	79,791
Early Retirement	6,768	105,868	7,104	105,532	2,364
	<hr/>				
Governmental Activities Long-Term Liabilities	\$ 2,194,690	\$ 245,868	\$ 217,376	\$ 2,223,182	\$ 220,155
	<hr/>				

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds are direct obligations as of June 30, 2004 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – Series 1995	5.10-5.40%	\$ 1,680,000
		<hr/>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 7 – LONG-TERM LIABILITIES – (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2005	\$ 110,000	\$ 88,510
2006	120,000	82,900
2007	125,000	76,780
2008	135,000	70,405
2009	140,000	63,520
2010-2014	850,000	196,480
2015-2019	200,000	10,800
Total	<u>\$ 1,680,000</u>	<u>\$ 589,395</u>

General Obligation Capital Loan Notes

On November 1, 2003, the District issued \$140,000 general obligation capital loan notes with an interest rate of 3.05% to provide funds for capital improvements. The notes will be repaid with proceeds from the voter approved physical plan and equipment levy and physical plant and equipment income surtax.

The annual debt service requirements to maturity for general obligation capital loan notes are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2005	\$ 28,000	\$ 3,416
2006	28,000	2,562
2007	28,000	1,708
2008	28,000	854
Total	<u>\$ 112,000</u>	<u>\$ 8,540</u>

Notes Payable

During the year ended June 30, 1998, the District borrowed \$705,000 by issuing two separate capital loan notes for \$455,000 and \$250,000, respectively, to fund the construction of a wind generator. During the year ended June 30, 2001, the District entered into a \$51,647 loan agreement with the Hoyt School District to purchase a school bus. The loan is interest free and will be repaid with a reduction of transportation charges over the next ten years. Details of the District's notes payable are as follows:

Year Ending June 30,	\$455,000 Note Payable			\$250,000 Note Payable No Interest		\$51,647 Note Payable No Interest	
	Principal	4.85% Interest	Total	Principal Only		Principal Only	
2005	\$ 48,475	\$ 9,539	\$ 58,014	\$ 26,316		\$ 5,000	
2006	50,855	7,159	58,014	26,316		5,000	
2007	53,351	4,663	58,014	26,316		5,000	
2008	57,374	1,386	58,760			5,000	
2009						5,000	
2010-2014						11,647	
Total	<u>\$ 210,055</u>	<u>\$ 22,747</u>	<u>\$ 232,802</u>	<u>\$ 78,948</u>		<u>\$ 36,647</u>	

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 7 – LONG-TERM LIABILITIES – (CONTINUED)

Early Retirement

During 1993, the Board of Education established an early retirement policy. All licensed professional employees who have completed at least 15 years of service within the District and are between the ages of 55 and 62 are eligible to make application for retirement benefits. Benefits are payable in two equal installments on January 20 of the two succeeding years after retirement. Benefits are based upon thirty percent of the employee's current salary plus 0.5 percent of current salary for each year of credited experience. In addition, the District will apply \$141 for retirees prior to fiscal year 2004 and \$300 for retirees in fiscal year 2004 and thereafter, on a monthly basis, towards an employee benefit until the earlier of the employee's death or reaching age 65.

Early retirement benefits paid during the year ended June 30, 2004 totaled \$6,681. The cost of early retirement payments expected to be liquidated within 60 days have been recorded as a liability of the Special Revenue, Management Levy Fund in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

NOTE 8 – INTERFUND RECEIVABLES & PAYABLES

As of June 30, 2004, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Capital Projects	\$ 50,964
PPEL	General	10,000
		<u>\$ 60,964</u>

As of June 30, 2004, long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
PPEL	Debt Service	\$ 62,368
General	Capital Projects	1,593
		<u>\$ 63,961</u>

NOTE 9 – PRIOR PERIOD ADJUSTMENT

In the financial statements for the years ended June 30, 2002 and June 30, 2003, an error was made in accounting for the payments to the Greater Hoyt Independent School District for the loan on the school bus. The payments were made from the Physical Plant and Equipment Levy fund but should have been made from the General Fund. The error has been corrected and has had the following effect on the beginning fund balances:

	<u>General Fund</u>	<u>Physical Plant And Equipment Levy</u>
Beginning Fund Balance, As Previously Reported	\$ 140,180	\$ 188,449
Prior Period Adjustment	(10,000)	10,000
Beginning Fund Balance, As Corrected	<u>\$ 94,180</u>	<u>\$ 198,449</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

NOTE 10 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$170,729, \$167,090, and \$157,211 respectively, equal to the required contributions for each year.

NOTE 11 – RISK MANAGEMENT

Akron-Westfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$182,474 for the year ended June 30, 2004 and is recorded in the General Fund.

NOTE 13 – DEFICIT FUND BALANCE

As of June 30, 2004, the following fund had a deficit fund balance in the amount shown:

Capital Projects	<u>\$ 52,557</u>
------------------	------------------

The deficit will be funded by future operating revenues.

NOTE 14 – BUDGET OVEREXPENDITURE

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amount budgeted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, GENERAL FUND - CASH BASIS
Year Ended June 30, 2004

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Amended		
Revenue:				
Local Sources:				
Local Tax	\$ 1,792,777	\$ 1,792,777	\$ 1,712,510	\$ (80,267)
Tuition	600,000	600,000	507,404	(92,596)
Other	114,000	114,000	144,241	30,241
State Sources	2,332,733	2,332,733	2,230,061	(102,672)
Federal Sources	213,000	213,000	352,736	139,736
Total Revenue	5,052,510	5,052,510	4,946,952	(105,558)
Expenditures:				
Current:				
Instruction	3,575,202	3,275,202	2,882,279	392,923
Support Services	1,584,000	1,584,000	1,437,652	146,348
Non-instructional Programs	145,000	145,000	42,435	102,565
Other Expenditures	174,036	474,036	182,474	291,562
Total Expenditures	5,478,238	5,478,238	4,544,840	933,398
Excess (Deficiency) of Revenues Over Expenditures	(425,728)	(425,728)	402,112	827,840
Other Financing Sources (Uses):				
Transfers Out	-	-	(89,330)	(89,330)
Total Other Financing Sources (Uses)	-	-	(89,330)	(89,330)
Net Change in Fund Balances	(425,728)	(425,728)	312,782	738,510
Fund Balances - Beginning of Year	106,104	106,104	104,180	1,924
Prior Period Adjustment			(10,000)	(10,000)
Fund Balances - Beginning of Year	106,104	106,104	94,180	(8,076)
Fund Balances - End of Year	\$ (319,624)	\$ (319,624)	\$ 406,962	\$ 730,434

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
Year Ended June 30, 2004

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 1,697,854
Mobile Home Tax	1,098
Utility Tax Replacement Excise Tax	19,181
	<u>1,718,133</u>

Other Local Sources:

Interest on Investments	10,353
Tuition from Other Districts	527,911
Transportation Fees	27,740
Miscellaneous	106,614
	<u>672,618</u>
	<u>2,390,751</u>

State Sources:

State Foundation Aid	1,821,776
Instructional Support State Aid	23,339
Educational Excellence Program:	
Phase I	53,404
Phase II	44,594
Non-Public Transportation Aid	3,246
Teacher Compensation	48,302
Vocational Education Aid	3,979
Revenue in lieu of taxes - military credit	1,475
AEA Flow-Through	182,474
Iowa Early Intervention Block Grant	34,502
Other State Aid	21,110
	<u>2,238,201</u>

Federal Sources:

Title I Grants to Local Educational Agencies	73,081
Safe and Drug-Free Schools and Communities-States Grants	3,475
Innovative Education Program Strategies (Title V Program)	3,105
Special Education - Grants to States	20,949
Title VI Grants for Assessments and Related Activities	3,780
Learn and Serve America School and Community Based Programs	4,500
Improving Teacher Quality State Grants	16,891
Century 21 Grant	128,125
Medical Assistance Program (Title XIX Program)	96,212
Other	1,546
	<u>351,664</u>
Total Revenue	<u>\$ 4,980,616</u>

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Expenditures:

Instruction:

Regular Instruction:

Salaries	\$ 1,335,309
Benefits	475,769
Services	119,261
Supplies	51,235
Property	4,219
	<u>1,985,793</u>

Special Education Instruction:

Salaries	371,732
Benefits	113,805
Services	71,423
Supplies	17,857
Property	925
	<u>575,742</u>

Vocational Instruction:

Salaries	150,725
Benefits	48,405
Services	1,378
Supplies	8,915
Property	3,579
	<u>213,002</u>

Co-curricular Instruction:

Salaries	88,760
Benefits	10,924
	<u>99,684</u>

Total Instruction

2,874,221

Support Services:

Student Services:

Student Support Services:

Salaries	70,550
Benefits	13,819
Services	4,089
Supplies	26,174
Property	2,666
	<u>117,298</u>

Guidance Services:

Salaries	78,573
Benefits	18,779
Services	285
Supplies	3,379
	<u>\$ 101,016</u>

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Support Services (Continued):

Student Services (Continued):

Health Services:

Salaries	\$ 46,526
Benefits	8,885
Supplies	2,093
	<u>57,504</u>

Total Student Services

275,818

Instructional Staff:

Improvement of Instruction Services:

Salaries	42,515
Benefits	15,178
Services	415
Supplies	2,444
	<u>60,552</u>

Educational Media Services:

Salaries	43,210
Benefits	10,064
Supplies	3,324
	<u>56,598</u>

Total Instructional Staff

117,150

Administration:

Executive Administration:

Salaries	78,000
Benefits	21,982
Services	2,178
Supplies	382
Other	125
	<u>102,667</u>

School Administration:

Salaries	171,916
Benefits	51,389
Services	1,659
Supplies	293
Other	1,129
	<u>226,386</u>

\$ 226,386

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Support Services (Continued):

Administration (Continued):

Business Administration:

Salaries	\$ 30,619
Benefits	12,151
Services	31,303
Supplies	2,495
Iowa School Cash Anticipation Program:	
Interest	7,992
Issuance Costs	7,899
Property	31,224
Other	130
	<u>123,813</u>

Board of Education:

Services	47,071
Supplies	10,026
	<u>57,097</u>
Total Administration	<u>509,963</u>

Plant Operation and Maintenance:

Salaries	91,960
Benefits	22,848
Services	38,957
Supplies	127,598
Property	300
	<u>281,663</u>

Student Transportation:

Salaries	138,891
Benefits	30,455
Services	7,856
Supplies	35,293
Property	330
	<u>212,825</u>

Other Support Services:

Services	3,725
Property	888
	<u>4,613</u>

Total Support Services

1,402,032

Non-instructional Programs:

Community Services:

Salaries	1,331
Benefits	178
Services	48,185
Supplies	1,972
	<u>\$ 51,666</u>

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Other Expenditures:	
AEA Flow-Through	\$ 182,474
Total Expenditures	<u>4,510,393</u>
Excess of Revenues Over Expenditures	<u>470,223</u>
Other Financing Uses:	
Transfers To Other Funds	<u>(89,330)</u>
Excess of Revenues Over Expenditures and Other Financing Uses	380,893
Fund Balance - Beginning of Year	(325,025)
Prior Period Adjustment	<u>(10,000)</u>
Fund Balances - Beginning of Year, Restated	<u>(335,025)</u>
Fund Balance - End of Year	<u><u>\$ 45,868</u></u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2004

	Special Revenue Funds		
	Management	Physical Plant and Equipment	Student
	Levy	Levy	Activity
Assets			
Cash and Pooled Investments	\$ 45,757	\$ 87,186	\$ 184,762
Receivables:			
Property Tax	867	2,084	
Succeeding Year Property Tax	30,000	73,582	
Accrued Interest		488	
Due from Other Funds		10,000	
Advance to Other Funds		62,368	
Total Assets	76,624	235,708	184,762
Liabilities and Equity			
Liabilities:			
Accounts Payable	1,145	5,014	1,050
Due to Other Funds			
Advance from Other Funds			
Early Retirement Payable	2,364		
Unearned Revenue	132	312	
Deferred Revenue - Succeeding Year			
Property Taxes	30,000	73,582	
Total Liabilities	33,641	78,908	1,050
Fund Balances:			
Unreserved for:			
Special Revenue Fund	42,983	156,800	183,712
Capital Project Fund			
Total Fund Balances	42,983	156,800	183,712
Total Liabilities and Equity	\$ 76,624	\$ 235,708	\$ 184,762

Schedule 2

Capital Projects	Total
\$ - \$	317,705
	2,951
	103,582
	488
	10,000
	62,368
	<u>497,094</u>
	7,209
50,964	50,964
1,593	1,593
	2,364
	444
	103,582
<u>52,557</u>	<u>166,156</u>
	383,495
(52,557)	(52,557)
(52,557)	330,938
\$ - \$	<u>497,094</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 Governmental Nonmajor Funds
 For the Year Ended June 30, 2004

	Special Revenue Funds		
	Management Levy	Physical Plant and Equipment Levy	Student Activity
Revenue:			
Local Sources:			
Local Tax	\$ 29,937	\$ 72,189	
Other	-	6,219	\$ 239,316
State Sources	28	68	-
Total Revenue	29,965	78,476	239,316
Expenditures:			
Current:			
Instruction:			
Regular Instruction	-	10,561	-
Other Instruction	-	-	244,382
Support Services:			
Administration Services	41,082	-	-
Operation and Maintenance	32,829	-	-
Transportation Services	11,767	-	-
Non-instructional Programs	-	-	-
Other Expenditures:			
Facilities Acquisition and Construction	-	218,634	-
Total Expenditures	85,678	229,195	244,382
Excess(Deficiency) of Revenues Over Expenditures	(55,713)	(150,719)	(5,066)
Other Financing Sources (Uses):			
Transfers Out	-	(30,930)	-
Proceeds from Issuance of Debt	-	140,000	-
Total Other Financing Sources (Uses)	-	109,070	-
Net Change in Fund Balances	(55,713)	(41,649)	(5,066)
Fund Balances - Beginning of Year	98,696	188,449	188,778
Prior Period Adjustment	-	10,000	-
Fund Balances - Beginning of Year, Restated	98,696	198,449	188,778
Fund Balances - End of Year	\$ 42,983	\$ 156,800	\$ 183,712

Schedule 3

<u>Capital Projects</u>	<u>Total</u>
	\$ 102,126
\$ 15,300	260,835
-	96
<u>15,300</u>	<u>363,057</u>
-	10,561
-	244,382
-	41,082
-	32,829
-	11,767
-	-
-	218,634
-	559,255
<u>15,300</u>	<u>(196,198)</u>
-	(30,930)
-	140,000
-	109,070
15,300	(87,128)
(67,857)	408,066
-	10,000
<u>(67,857)</u>	<u>418,066</u>
<u>\$ (52,557)</u>	<u>\$ 330,938</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity
For the Year Ended June 30, 2004

					Schedule 4
	Balance June 30, 2003	Revenues	Expenditures	Operating Transfers	Balance June 30, 2004
Adult Education	\$ 291				\$ 291
Ag. And Industrial Arts Resale	2,588	\$ 1,060	\$ 676		2,972
Alumni	475				475
Art Club	702	51			753
Art-Science Trip	430				430
Athletics	46,947	59,164	66,930		39,181
Athletic Pop	27,717	9,501	17,836		19,382
AW Store	2,511	8,782	6,215		5,078
Class of 2003	16			(16)	-
Class of 2004	610			(610)	-
Class of 2005	(28)	9,351	8,278	16	1,061
Class of 2006	-	2,415	3,025	610	-
Climate Committee	85	284	417		(48)
Coaches Towels	(267)	3,551	3,475		(191)
Concessions	5,638	20,778	20,916		5,500
Drill Team	4,641	7,023	7,425		4,239
Extra Duty	619				619
Future Farmers of America	2,470	25,628	23,038		5,060
Family Career Community Leader of America	55	4,576	3,289		1,342
High School Student Council	5,988	6,294	6,515		5,767
Home Economics	461	43			504
Interest/Student Management	14,054	4,104	2,507		15,651
Kindergarten Milk	1,254	661	583		1,332
Lakeside Lab	626	5,202	5,322		506
Medicaid Adm. Claim	658				658
Middle School Student Council	12,368	20,894	25,943		7,319
Music - Instrumental	6,880	4,682	2,923		8,639
Music - Vocal	8,776	3,927	3,557		9,146
National Honor Society	-	110	83		27
Pep Club	2,494	2,777	1,403		3,868
Physical Education Revolving	5,924	764			6,688
Pictures	1,871				1,871
Project Prom	4,224	5,638	5,576		4,286
Revolving	2,036	229			2,265
Scholarship	611	400	300		711
Speech	1,045	1,089	1,192		942
TAG	31	832	863		-
Textbooks	4,695	15,927	14,033		6,589
Thespians	5,272	3,277	2,639		5,910
Towel	9,014	1,850	589		10,275
Western Roundup	4,996	8,452	8,834		4,614
	<u>\$ 188,778</u>	<u>\$ 239,316</u>	<u>\$ 244,382</u>	<u>\$ -</u>	<u>\$ 183,712</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Comparison of Taxes and Intergovernmental Revenues and Receipts
For the Years Ended June 30, 2004, 2003, 2002, 2001

Schedule 5

	Modified Accrual Basis of Accounting			
	2004	2003	2002	2001
Local Sources:				
Local Taxes:				
Property Taxes	\$ 1,861,717	\$ 1,978,452	\$ 1,807,172	\$ 1,666,195
Mobile Home Taxes	1,306	1,394	1,359	1,534
Instructional Support Income Taxes	155,699	48,303	49,170	49,433
	<u>2,018,722</u>	<u>2,028,149</u>	<u>1,857,701</u>	<u>1,717,162</u>
State Sources:				
State Foundation Aid	1,821,776	1,833,864	1,942,151	2,032,748
School Improvement Technology Funding	-	-	12,350	37,192
Instructional Support State Aid	23,339	24,878	28,679	32,390
Teacher Quality & Salary Improvement Educational Excellence Program:	48,302	42,852	44,363	-
Phase I	53,404	55,761	55,761	58,695
Phase II	44,594	45,392	49,369	50,705
Phase III	-	11,279	28,212	28,247
Non-Public Transportation	3,246	1,967	2,685	1,205
Vocational Education Aid	3,979	4,151	5,019	5,001
Revenue in Lieu of Taxes - Military Credit	1,759	1,852	1,929	1,845
Iowa Early Intervention Block Grant	34,502	36,878	35,751	25,125
State Lunch Reimbursements	3,499	3,832	-	4,443
AEA Flow-Through	182,474	182,778	177,086	183,341
Other	21,110	13,870	26,591	25,161
	<u>2,241,984</u>	<u>2,259,354</u>	<u>2,409,946</u>	<u>2,486,098</u>
Federal Sources:				
Title I Grants to Local Educational Agencies	73,081	54,937	53,660	60,882
Class Size Reduction	-	-	10,653	8,070
Grants for Assessments & Related Activities (Title VI A Program)	3,780	3,150	-	-
Safe and Drug Free Schools and Communities - State Grants	3,475	3,396	1,130	2,373
Innovative Education Program Strategies (Title VI Program)	3,105	3,176	3,392	4,479
National School Lunch Program	81,282	77,108	60,527	68,889
Goals 2000 - State Grant	-	-	-	30,000
Century 21 Grant	128,125	168,394	112,478	126,442
Food Distribution	26,251	24,573	27,798	16,565
Child Nutrition School Breakfast	-	-	11,641	-
Learn & Serve America Community Based Programs	4,500	5,000	-	-
Special Education - Grants to States	20,949	14,293	-	-
Improving Teacher Quality State Grants	16,891	17,937	-	-
Eisenhower Professional Development - State Grants	-	1,482	-	-
Americorps	699	627	-	-
Medical Assistance Program (Title XIX Program)	96,212	-	-	-
Other	847	9,435	13,982	5,000
	<u>459,197</u>	<u>383,508</u>	<u>295,261</u>	<u>322,700</u>
Total	<u>\$ 4,719,903</u>	<u>\$ 4,671,011</u>	<u>\$ 4,562,908</u>	<u>\$ 4,525,960</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Schedule 6 Balance June 30, 2004
Athletic Boosters				
<i>Assets</i>				
Cash and Pooled Investments	\$ -	\$ 12,493	\$ 12,493	\$ -
Total Assets	-	12,493	12,493	-
<i>Liabilities</i>				
Due to Others	-	12,493	12,493	-
Total Liabilities	-	12,493	12,493	-
Employee Flex Account				
<i>Assets</i>				
Cash and Pooled Investments	-	4,302	4,302	-
Total Assets	-	4,302	4,302	-
<i>Liabilities</i>				
Due to Others	-	4,302	4,302	-
Total Liabilities	-	4,302	4,302	-
Total				
<i>Assets</i>				
Cash and Pooled Investments	-	16,795	16,795	-
Total Assets	-	16,795	16,795	-
<i>Liabilities</i>				
Due to Others	-	16,795	16,795	-
Total Liabilities	\$ -	\$ 16,795	\$ 16,795	\$ -

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including material weaknesses.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

REPORTABLE CONDITIONS:

II-A-04 Financial Accounting – Segregation of Duties

- A. Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that invoices/claims are not paid until reviewed by the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

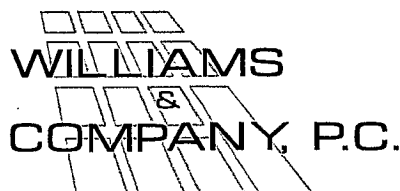
Part III: Other Findings Related to Statutory Reporting:

- III-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- III-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures functional area.
- Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – We will take steps to insure the budget is amended before disbursements exceed the budget.
- Conclusion – Response accepted.
- III-C-04 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-E-04 Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2004.
- III-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-04 Board Minutes – No transactions requiring Board approval that had not been approved by the Board were noted.
- III-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting – (Continued):

- III-J-04 Certified Annual Report – The Certified Annual Report was not filed timely with the Department of Education.
- Recommendation – We recommend that the District file the Certified Annual Report by September 15 as required by the State in future years.
- Response – The District will take the steps necessary to ensure that the report is filed timely in the future.
- Conclusion – Response accepted.
- III-K-04 Financial Condition – The District had deficits in the capital projects fund at June 30, 2004.
- Recommendation – The District should investigate alternatives to significantly reduce and/or eliminate this deficit.
- Response – The District is aware of this situation and will investigate alternatives to significantly reduce and/or eliminate this deficit by June 30, 2005.
- Conclusion – Response accepted.



Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Akron-Westfield Community School District

We have audited the financial statements of the AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2004, and have issued our report thereon dated August 18, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Akron-Westfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have not been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Akron-Westfield Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Akron-Westfield Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Akron-Westfield Community School District and other parties to whom the Akron-Westfield Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Akron-Westfield Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
August 18, 2004